

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRICE AND CLASSIFICATION CHANGES

Docket No. MC2023-148

USPS RESPONSES TO CHAIRMAN'S INFORMATION REQUEST NO. 1
(May 24, 2023)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 1, which was issued on May 17, 2023. Responses were due no later than May 24, 2023. Each question is reprinted verbatim in the attached, and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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1. The Notice states that any outstanding credits issued under the Loyalty Program must be redeemed "no later than June 9, 2024, which will conclude the Loyalty Program's one-year wind down period." Notice at 2. The proposed revision to the Mail Classification Schedule (MCS) strikes the following language: "All credits must be redeemed within one year from the date of issuance."
 - a. Please clarify whether the Postal Service intends to extend the deadline to redeem all outstanding Loyalty Program credits to June 9, 2024, or whether outstanding credits must still be redeemed within 1 year of issuance (for instance, whether a credit issued on May 18, 2023, must still be redeemed by May 18, 2024). *Id.* at 10.
 - b. Please provide a revised MCS if confirmed that credits must still be redeemed within 1 year of issuance.

RESPONSE:

- a. All outstanding credits as of June 10, 2023, will be valid for one year ending June 9, 2024. Therefore, a credit issued May 18, 2023, if not yet redeemed by June 10, 2023, will be valid until June 9, 2024.
- b. N/A

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2. The Notice states that Commercial rates for Priority Mail and Priority Mail Express will be available to all Click-N-Ship business customers as of May 18, 2023, and that “[c]ustomers will be able to redeem their credits on any Priority Mail Express and Priority Mail shipments that are made at published Commercial rates during this wind down period.” *Id.* at 2.
 - a. Please clarify whether customers will earn Loyalty Program credits for purchases made at Commercial rates between May 18, 2023, and June 10, 2023.
 - b. Please confirm that customers will not be permitted to redeem outstanding credits at the proposed non-published Business Rate Card (BRC) prices.¹ If not confirmed, please explain whether the redemption of outstanding credits was factored into the revenue and cost data for the BRC initiative.

RESPONSE:

- a. Customers will not earn Loyalty Program credits for purchases made at Commercial rates between May 18, 2023, and June 10, 2023.
- b. Confirmed.

¹ See Docket No. CP2023-155, USPS Notice of Changes in Rates and Classifications Not of General Applicability for Competitive Products, May 12, 2023.

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3. With respect to credits issued under the Loyalty Program:
 - a. Please provide the total dollar amount of credits issued under the program by fiscal year, as well as by product if possible.
 - b. Please provide the total dollar amount of outstanding credits that are eligible for redemption, as well as the dollar amount of outstanding credits for each of the three tiers of the Loyalty Program if possible.

RESPONSE:

- a. The total amount of credits issued by fiscal year is as follows. This data cannot be broken out by product.

FY 2021 (10/1/2020-9/30/2021):	\$16,841,930
FY 2022 (10/1/2021-9/30/2022):	\$14,513,010
FY 2023 YTD (10/1/2022-5/18/2023):	\$8,318,420

- b. The estimated amount of outstanding credits that are eligible for redemption as of May 18, 2023 is \$1,508,000. This data cannot be broken out by tier.

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4. Please provide the total volume of Priority Mail and Priority Mail Express, respectively, that has been shipped by Loyalty Program participants using the Click-N-Ship platform from the beginning of the program through the most recent available data.

RESPONSE:

The total Priority Mail volume shipped by Loyalty Program participants on Click-N-Ship is 60,296,801, and the total Priority Mail Express volume is 1,679,782.

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5. Please provide the total number of unique Loyalty Program participants for each fiscal year in which the program has operated, split into the following categories: micro-, small-, medium-, and large-sized businesses; and Basic, Silver, and Gold Tier.

RESPONSE:

Unique Loyalty Program participant count by fiscal year:

FY 2021, 10/1/2020-9/30/2021:	889,332
FY 2022, 10/1/2021-9/30/2022:	226,138
FY 2023 YTD, 10/1/2022-5/18/2023:	103,297
Total cumulative count:	1,218,767

The Loyalty Program participant tier assignments are determined by calendar year, based on spending in the previous year on Priority Mail and Priority Mail Express, and are effectively reset on a calendar year basis. Thus, tier assignment count is only available for the current calendar year 2023. The counts are as follows:

<u>Tier</u>	<u>Count</u>
Base	1,212,910 – Customers spending less than \$10,000 in the previous calendar year (2022). These can be considered “Micro or Small” businesses based on their annual spending.
Silver	4336 – Customers spending at \$10,000 - \$20,000 in the previous calendar year. These can be considered “Small” businesses.
Gold	1521 – Customers spending at least \$20,000 in the previous calendar year. This count may include “Small/Mid-sized” businesses.

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6. The Notice states, "As the Postal Service is pursuing new opportunities to maintain customer loyalty through granting access to published Commercial rates on [Click-N-Ship], the existing Loyalty Program is unlikely to be as attractive an incentive for customers to remain on [Click-N-Ship]." Notice at 3.
- a. Please provide a brief description of the benefits to the Postal Service from sunseting the Loyalty Program and offering Commercial rates to all Click-N-Ship business customers, as compared to retaining the Loyalty Program in its present form.
 - b. Please provide a brief description of the expected impact on Loyalty Program customers, particularly small businesses, from the planned sunseting of the Loyalty Program and availability of Commercial rates on the Click-N-Ship platform.

RESPONSE:

- a. Offering Commercial rates to all Click-N-Ship business customers will provide a wider range of customers with access to lower prices, which will ideally help grow the Postal Service's volume and revenue. Retaining the Loyalty Program in present form, and not extending Commercial rates on Click-N-Ship, would have required more work in administering the program in terms of tracking credits, tier status, and redemption periods. Ultimately, this would not lead to as many Click-N-Ship customers accessing Commercial rates through Gold tier status. Through these collective actions, the Postal Service expects to grow its CNS customer base, increase revenue and volume, and further incentivize customers to ship with the Postal Service.
- b. Loyalty Program customers, particularly small businesses, will be able to access Commercial rates on Click-N-Ship immediately, rather than waiting to achieve Gold tier status under the Loyalty Program. Many small and micro businesses have struggled to ship enough packages to attain Gold tier status under the current program. With these classification changes, existing Loyalty Program customers would still be given adequate time to redeem any outstanding credits by June 9, 2024. While the Postal

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Service does not expect negative impact from the cessation of the Loyalty Program, any negative impact will be mitigated by this year-long sunset period. And throughout the sunset period, all such customers will be able to access more favorable Commercial rates via Click-N-Ship.